

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

Audit Report

COLLECTIVE BARGAINING PROGRAM

Chapter 961, Statutes of 1975,
and Chapter 1213, Statutes of 1991

July 1, 2001, through June 30, 2004



JOHN CHIANG
California State Controller

July 2007



JOHN CHIANG
California State Controller

July 19, 2007

Doug Roberts, Vice Chancellor
Finance and Administration
Contra Costa Community College District
500 Court Street
Martinez, CA 94553

Dear Mr. Roberts:

The State Controller's Office audited the costs claimed by Contra Costa Community College District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2001, through June 30, 2004.

The district claimed \$874,803 for the mandated program. Our audit disclosed that \$380,239 is allowable and \$494,564 is unallowable. The unallowable costs occurred because the district claimed costs that were not supported by source documents and claimed costs that were ineligible for reimbursement. The State paid the district \$610,866. The State will offset \$230,627 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at CSM's Web site, at www.csm.ca.gov (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/wm:vb

cc: Marty Rubio, Specialist
Fiscal Accountability Section
California Community Colleges Chancellor's Office
Jeannie Oropeza, Program Budget Manager
Education Systems Unit
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Contra Costa Community College District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was July 25, 2006.

The district claimed \$874,803 for the mandated program. Our audit disclosed that \$380,239 is allowable and \$494,564 is unallowable. The unallowable costs occurred because the district claimed costs that were not supported by source documents and claimed costs that were ineligible for reimbursement. The State paid the district \$610,866. The State will offset \$230,627 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

Background

In 1975, the State enacted the Rodda Act (Chapter 961, Statutes of 1975), requiring the employer and employee to meet and negotiate, thereby creating a collective bargaining atmosphere for public school employers. The legislation created the Public Employment Relations Board to issue formal interpretation and rulings regarding collective bargaining under the Act. In addition, the legislative established organizational rights of employee organizations, and recognized exclusive representatives relating to collective bargaining. On July 17, 1978, the Board of Control (now the Commission on State Mandates) ruled that the Rodda Act imposed a reimbursable state mandate upon school districts reimbursable under Government Code section 17561.

In 1991, the State enacted Chapter 1213, Statutes of 1991, which requires that school districts publicly disclose major provisions of collective bargaining efforts before the agreement becomes binding. On August 20, 1998, the Commission on State Mandates (CSM) ruled that this legislation also imposed a state mandate upon school districts reimbursable under Government Code section 17561. Costs of publicly disclosing major provisions of collective bargaining agreements that districts incurred after July 1, 1996, are allowable.

Claimants are allowed to claim increased costs. For components G1 through G3, increased costs represent the difference between the current-year Rodda Act activities and the base-year Winton Act activities (generally, fiscal year 1974-75), as adjusted by the implicit price deflator. For components G4 through G7, increased costs represent actual costs incurred.

The seven reimbursable components are as follows.

- G1—Determining bargaining units and exclusive representative
- G2—Election of unit representative
- G3—Costs of negotiations
- G4—Impasse proceedings
- G5—Collective bargaining agreement disclosure
- G6—Contract administration
- G7—Unfair labor practice charges

Parameters and Guidelines, adopted by the CSM on October 22, 1980 (and last amended on August 20, 1998), establishes the state mandate and defines criteria for reimbursement. In compliance with Government Code section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist school districts and local agencies in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Collective Bargaining Program for the period of July 1, 2001, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by *Government Auditing Standards*. However, the district declined our request.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Contra Costa Community College District claimed \$874,803 for costs of the Collective Bargaining Program. Our audit disclosed that \$380,239 is allowable and \$494,564 is unallowable.

For the fiscal year (FY) 2001-02 claim, the State paid the district \$351,901. Our audit disclosed that \$75,256 is allowable. The State will offset \$276,645 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2002-03 claim, the State paid the district \$258,965. Our audit disclosed that \$155,980 is allowable. The State will offset \$102,985 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2003-04 claim, the State made no payment to the district. Our audit disclosed that \$149,003 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$149,003, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on May 30, 2007. Doug Roberts, Vice Chancellor, responded by letter dated June 12, 2007 (Attachment), disagreeing with the audit results. This final audit report includes the district's response.

Based on our review of the district's response, we reduced the adjustment for Finding 1 by \$9,336, from \$366,674 to \$357,338.

Restricted Use

This report is solely for the information and use of Contra Costa Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

Schedule 1— Summary of Program Costs July 1, 2001, through June 30, 2004

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Component activities G1 through G3:				
Salaries and benefits	\$ 159,935	\$ 40,599	\$ (119,336)	Finding 1
Contracted services	7,820	7,820	—	
Subtotals	167,755	48,419	(119,336)	
Less adjusted base-year direct costs	(12,371)	(12,371)	—	
Total increased direct costs G4 through G7	155,384	36,048	(119,336)	
Component activities G4 through G7:				
Salaries and benefits	87,907	12,598	(75,309)	Finding 1
Contracted services	27,293	9,156	(18,137)	Finding 1
Total increased direct costs G4 through G7	115,200	21,754	(93,446)	
Total increased direct costs G1 through G7	270,584	57,802	(212,782)	
Indirect costs	81,317	17,454	(63,863)	Finding 1
Total program costs	\$ 351,901	75,256	\$ (276,645)	
Less amount paid by the State		(351,901)		
Allowable costs claimed in excess of (less than) amount paid		\$ (276,645)		
<u>July 1, 2002, through June 30, 2003</u>				
Component activities G1 through G3:				
Salaries and benefits	\$ 93,416	\$ 57,271	\$ (36,145)	Finding 1
Contracted services	9,862	9,833	(29)	
Subtotals	103,278	67,104	(36,174)	
Less adjusted base-year direct costs	(12,648)	(12,648)	—	
Total increased direct costs G4 through G7	90,630	54,456	(36,174)	
Component activities G4 through G7:				
Salaries and benefits	58,898	45,264	(13,634)	Finding 1
Contracted services	59,737	22,803	(36,934)	Finding 1
Total increased direct costs G4 through G7	118,635	68,067	(50,568)	
Total increased direct costs G1 through G7	209,265	122,523	(86,742)	
Indirect costs	49,700	33,457	(16,243)	Finding 1
Total program costs	\$ 258,965	155,980	\$ (102,985)	
Less amount paid by the State		(258,965)		
Allowable costs claimed in excess of (less than) amount paid		\$ (102,985)		

Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference</u> ¹
<u>July 1, 2003, through June 30, 2004</u>				
Component activities G1 through G3:				
Salaries and benefits	\$ 39,101	\$ 30,818	\$ (8,511)	Finding 1
Contracted services	43,820	43,314	(506)	Finding 2
Subtotals	82,921	74,132	(9,017)	
Less adjusted base-year direct costs	(13,109)	(13,109)	—	
Total increased direct costs G4 through G7	69,812	61,023	(9,017)	
Component activities G4 through G7:				
Salaries and benefits	18,239	2,111	(16,128)	Finding 1
Contracted services	156,161	74,541	(81,620)	Finding 2
Total increased direct costs G4 through G7	174,400	76,652	(97,748)	
Total increased direct costs G1 through G7	244,212	137,675	(106,537)	
Indirect costs	19,725	11,328	(8,397)	Finding 1
Total program costs	<u>\$ 263,937</u>	149,003	<u>\$ (114,934)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 149,003</u>		
<u>Summary: July 1, 2001, through June 30, 2004</u>				
Total increased direct costs G1 through G7	\$ 724,061	\$ 318,000	\$ (406,061)	Findings 1, 2
Indirect costs	150,742	62,239	(88,503)	Finding 1
Total program costs	<u>\$ 874,803</u>	380,239	<u>\$ (494,564)</u>	
Less amount paid by the State		(610,866)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (230,627)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable salary and benefit costs

The district claimed unallowable salary and benefit costs totaling \$268,835 for the audit period. The related indirect costs, based on the claimed indirect cost rate for each fiscal year, total \$88,503. The audit adjustments resulted from the following issues.

Unsupported Hours Claimed

The district claimed costs for various employees that were not documented with adequate supporting documentation. As a result, the district overstated salary and benefit costs by \$185,461 for the audit period. The district claimed unsupported mandate-related costs because it did not provide source documents (e.g., individual activity log sheets, meeting sign-in sheets, and/or actual time records) to validate certain employee hours charged. In most cases, costs could not be traced to any supporting documentation.

The following table summarizes the audit adjustments that resulted from unsupported hours claimed.

	Fiscal Year			
	2001-02	2002-03	2003-04	Total
Salaries and benefits:				
Components G1-G3	\$ (92,444)	\$ (3,376)	\$ (3,326)	\$ (99,146)
Components G4-G7	(73,511)	(5,831)	(6,973)	(86,315)
Audit adjustment	<u>\$ (165,955)</u>	<u>\$ (9,207)</u>	<u>\$ (10,299)</u>	<u>\$ (185,461)</u>

Unallowable Activities Claimed

The district claimed costs for various activities that are not reimbursable under *Parameters and Guidelines*. As a result, the district overstated salary and benefit costs by \$83,374 for the audit period. The district claimed unallowable mandate-related costs during the audit period as follows.

- The district claimed \$64,618 under the cost category of Negotiations for the following ineligible activities:
 - Negotiation preparation for district staff attendance at seven management council meetings, totaling \$53,759.

Meeting agendas revealed that these are routine information-sharing meetings at which various district issues are discussed. Included in each agenda were approximately 30 minutes spent “updating the group on the progress of collective bargaining with Local 1 and United Faculty.” Sharing information with district staff about pending labor negotiations does not constitute the reimbursable activity of “employer representatives and employees participating in negotiation planning sessions.” In addition, the entire amount of time spent by employees at these meetings (444.2 hours) was claimed instead of just the 30 minutes (66 total hours) at each meeting spent sharing information about labor negotiations.

- Negotiations for the district's Advanced Technical Expert to spend 399.4 hours revising the district's payroll system, totaling \$10,859.
- The district claimed \$18,756 under the cost category of Contract Administration for the following ineligible activities:
 - District staff preparation (7.5 hours) and attendance (105.25 hours) at business directors' meetings, totaling \$9,106.

Meeting agendas revealed that these meetings were routine information-sharing meetings at which various district issues such as ongoing labor negotiations, district income estimates, enrollment reports, bond planning, sales tax issues, and student salary schedules were discussed. Collective bargaining information related to the fiscal impact of negotiations was shared at the meetings as well. The district did not indicate how discussions on the fiscal impact of ongoing labor negotiations or district income estimates constitutes the reimbursable activity of administering or enforcing the negotiated contract.

- District staff attendance at benefit cost containment meetings, management council meetings, and executive staff meetings (45.2 hours), and preparation of the agenda for the contract review committee (2.4 hours), totaling \$2,939.

The district did not explain why these meetings constituted the reimbursable activity of administering or enforcing the negotiated contract and were not simply routine management functions.

- Various district staff performing various activities related to grievance adjudication during FY 2002-03 and FY 2003-04 for issues that were personnel-related (not related to a violation of the terms and conditions of a union contract provision), totaling \$1,895 for 25.15 hours.

We noted non-reimbursable activities for discrimination complaints filed under the provisions of Title V of the *California Code of Regulations*.

- District staff attendance at cabinet budget meetings, totaling \$2,389 for 26 hours.

The district did not indicate how discussions at cabinet budget meetings constitute the reimbursable activity of administering or enforcing the negotiated contract.

- The Director of Payroll Services performing activities during FY 2003-04 that do not appear to be collective bargaining-related, totaling \$2,427 for 30.6 hours.

Activities noted included preparation for a STRS training meeting, training on AB 2700 full-time equivalent law, discussion of procedures and program changes for full-time equivalent law, cost distribution for union members, and review of a management manual regarding health benefits. The district did not indicate how these activities constitute the reimbursable activity of administering or enforcing the negotiated contract.

The following table summarizes the audit adjustments that resulted from costs claimed for ineligible activities.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Salaries and benefits:				
Component G1-G3	\$ (26,892)	\$ (32,769)	\$ (4,957)	\$ (64,618)
Component G4-G7	—	—	—	—
Audit adjustment	<u>\$ (26,892)</u>	<u>\$ (32,769)</u>	<u>\$ (4,957)</u>	<u>\$ (64,618)</u>

Following is a summary breakdown of the audit adjustment for unsupported and unallowable salary and benefit costs, and related indirect costs.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Components G1-G3:				
Unsupported hours,				
G3—Cost of negotiations:				
Cost of negotiations	\$ (24,710)	\$ (533)	\$ (2,322)	\$ (27,565)
Negotiations preparation	(53,854)	(1,241)	(1,004)	(56,099)
Final contract	(5,572)	—	—	(5,572)
Initial contract	(826)	—	—	(826)
Negotiations subject committee	(1,337)	(1,602)	—	(2,939)
Reclassification studies	(4,595)	—	—	(4,595)
District's proposal	(1,550)	—	—	(1,550)
Total unsupported hours	<u>(92,444)</u>	<u>(3,376)</u>	<u>(3,326)</u>	<u>(99,146)</u>
Unallowable activities,				
G3—Cost of negotiations:				
Negotiations preparation	(26,892)	(26,867)	(4,957)	(58,716)
Cost of negotiations	—	(5,902)	—	(5,902)
Total unallowable activities	<u>(26,892)</u>	<u>(32,769)</u>	<u>(4,957)</u>	<u>(64,618)</u>
Total components G1-G3	<u>(119,336)</u>	<u>(36,145)</u>	<u>(8,283)</u>	<u>(163,764)</u>
Components G4-G7:				
Unsupported hours,				
G4—Impasse proceedings:				
Fact finding	(5,549)	—	—	(5,549)
Mediation	(4,512)	—	—	(4,512)
Subtotal	<u>(10,061)</u>	<u>—</u>	<u>—</u>	<u>(10,061)</u>
G6—Contract administration:				
Contract administration	—	(3,999)	(309)	(4,308)
Contract admin committee	(10,932)	—	—	(10,932)
Contract interpretation	(1,652)	(655)	(1,735)	(4,042)
Grievances	(34,819)	(1,177)	(2,399)	(38,395)
Grievance arbitration	—	—	(237)	(237)
Title V complaints	(1,077)	—	(2,293)	(3,370)
Training	(14,970)	—	—	(14,970)
Subtotal	<u>(63,450)</u>	<u>(5,831)</u>	<u>(6,973)</u>	<u>(76,254)</u>
Total unsupported hours	<u>(73,511)</u>	<u>(5,831)</u>	<u>(6,973)</u>	<u>(86,315)</u>
Unallowable activities,				
G6—Contract administration				
Contract administration	—	—	(2,594)	(2,594)
Contract admin committee	—	(6,850)	(5,618)	(12,468)
Contract interpretation	(1,798)	—	—	(1,798)
Title V complaints	—	—	(401)	(401)
Grievances	—	(953)	(542)	(1,495)
Total unallowable activities	<u>(1,798)</u>	<u>(7,803)</u>	<u>(9,155)</u>	<u>(18,756)</u>

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Total components G4-G7	(75,309)	(13,634)	(16,128)	(105,071)
Total components G1-G7	(194,645)	(49,779)	(24,411)	(268,835)
Related indirect costs	(63,863)	(16,243)	(8,397)	(88,503)
Total audit adjustment	<u>\$ (258,508)</u>	<u>\$ (66,022)</u>	<u>\$ (32,808)</u>	<u>\$ (357,338)</u>

Parameters and Guidelines requires the claimant to show the classification of the employees involved, the amount of time spent, and their hourly rates.

Parameters and Guidelines states that the claimant must support the level of costs claimed and that the claimant will only be reimbursed for the increased costs incurred.

Parameters and Guidelines (Section G3(b)) requires the claimant to show the cost of salaries and benefits for employer representatives and employees participating in negotiation planning sessions.

Parameters and Guidelines (Section G(6)) notes that reimbursable activities include contract administration and adjudication of contract disputes either by arbitration or litigation.

Parameters and Guidelines states that contract interpretations at staff meetings and personal development and informational programs are not reimbursable.

Parameters and Guidelines states that training sessions held for supervisory and management personnel on contract administration/interpretation of the negotiated contract are reimbursable. Contract interpretations at staff meetings are not reimbursable. Personal development and informational programs—i.e., classes, conferences, seminars, workshops, and time spent by employees attending such meetings—are not reimbursable.

Recommendation

We recommend that the district ensure that claimed costs include only eligible costs and that claimed costs are based on actual costs that are properly supported. Supporting documentation should identify the mandated functions performed and support the actual number of hours devoted to each function.

District's Response

Finding 1 eliminates \$275,870 as unallowable salary and benefits costs with \$90,804 in related indirect costs, for a total of \$366,674. The "direct cost disallowed" of \$275,870 consists of two amounts: \$185,461 disallowed due to lack of "adequate supporting documentation"; and \$90,409 as "unallowable" costs claimed. It seems that the District's documentation methods, which the auditor believes are *insufficient* to support \$185,461 in unsupported costs, are to the contrary *sufficient* for the auditor to conclude for a fact that \$90,409 of the costs are not allowable for reimbursement, rather than merely unsupported.

Note that none of the adjustments were made because the costs claimed were excessive or unreasonable.

Unsupported Hours Claimed

The audit report asserts that \$185,461 was disallowed because the “district did not provide source documents (e.g., individual activity log sheets, meeting sign-in sheets, and/or actual time records) to validate certain employee hours charged.” The entire basis for this finding is the quantity and quality of District documentation.

First, in support of the conclusion that the costs were unsupported, the audit report states that the parameters and guidelines require “the claimant to show the classification of the employees involved, the amount of time spent, and their hourly rates.” That is a correct restatement of parameters and guidelines component H3, to which the District fully complied in the preparation of the annual reimbursement claims. The audit report does not state that the District failed to do this and it is certainly not a valid reason for an adjustment based on lack of source documentation.

Second, in support of the conclusion that the costs were unsupported, the audit report states that the parameters and guidelines require “that the claimant must support the level of costs claimed and that the claimant will only be reimbursement for the increased costs incurred.” This is the requirement to categorize current year costs between historical Winton costs (G1-G3) and reimbursable increased Rodda costs (G4 – G7), to which the District fully complied in the preparation of the annual claims. The audit report does not state that the District failed to do this and it is not a valid reason for an adjustment based on lack of source documentation.

The audit report does not cite any other factual or legal reason to eliminate the claimed costs. Therefore, the audit report has not stated a relevant basis to make these adjustments for source documentation. In fact, the parameters and guidelines essentially require claimants to “show” or “indicate” the costs claimed and do not require as a specific condition of reimbursement that claimants provide the “individual activity log sheets or time records” the audit report has established after the fact as an audit requirement. Instead, the parameters and guidelines specify a “worksheet” supporting the calculation of hourly rates and benefits.

Unallowable Activities Claimed

The audit report asserts that \$90,409 in activity costs are not reimbursable under the parameters and guidelines. Specifically:

- A. The audit report disallowed \$65,205 in claimed negotiation costs consisting of three parts:
 1. Claimed negotiation costs of \$53,759, because the scope of planning was “routine information-sharing at which various district issues are discussed” and the venue was the district management council. The audit report concludes, without citing facts or law, that these discussions are not *planning* for the purposes of negotiations. The audit report does not indicate how the content of the meetings is unrelated to negotiation issues.

2. Claimed negotiations costs of \$10,859 for the revision of the District's payroll system. The audit report does not state why this is not reimbursable. Salaries and benefits are by far the major topic of any labor contract and specified subject matter by the Rodda Act.
 3. Claimed negotiations costs of \$587 for more than five major employer representatives to attend negotiation sessions on January 23, 2002, and March 18, 2004. The audit report does not state how many district personnel, including the labor negotiator and clerical personnel, were present at the sessions, or whether the persons disallowed were the lowest paid personnel in attendance.
- B. The audit report disallowed \$25,204 in claimed contract administration costs consisting of six parts:
1. Claimed contract administration costs of \$9,106 for preparation and attendance at business directors meetings, because the "District did not indicate how discussions on the fiscal impact of ongoing labor negotiations or district income estimates constitutes the reimbursable activity of administering or enforcing the negotiated contract." Since districts have to fund the results of collective bargaining agreements, determining the fiscal impact of the contract terms is essential.
 2. Claimed contract administration costs of \$5,828 for the Director of Human Resources to perform various activities related to grievance adjudication during FY 2002-03 that "did not relate to time associated with a filed grievance alleging a violation of the terms and conditions of a union contract provision." The aggregation of the 66.6 hours disallowed cannot be discerned from the information provided at the exit conference or in the audit report, or why this work was not related to grievance adjudication. Further, the audit report needs to clarify the distinction it implies exists between "filed" grievances as compared to "unfiled" grievances, if any.
 3. Claimed contract administration costs of \$2,939 for District staff attendance at benefit cost containment meetings, management council meetings, and executive staff meetings. These costs were disallowed because the "District did not explain why these meetings constituted the reimbursable activity of administering or enforcing the negotiated contract and were not simply routine management functions." The audit report does not explain why they are not a reimbursable activity.
 4. Claimed contract administration costs of \$2,515 for "various activities related to grievance adjudication during FY 2002-03 and FY 2003-04 for the issues that were personnel-related (not related to a violation of the terms and conditions of a union contract provision)." The audit report specifically cites employee sabbatical leave and discrimination complaints as "personnel-related issues." Any collectively bargained right can be grieved and since the faculty sabbatical leave is a contractual right, it is subject to the grievance procedure, whether the procedure is characterized as a grievance or otherwise. The dispute resolution process for Title 5 is operated according to the grievance procedure and is thus reimbursable.

5. Claimed contract administration costs of \$2,389 for staff attendance at cabinet budget meetings, because the “District did not indicate how discussions at cabinet budget meetings constitute the reimbursable activity of administering or enforcing the negotiated contract.” The audit report does not explain why the subject matter of the cabinet budget meetings is not a reimbursable activity.
6. Claimed contract administration costs of \$2,427 for activities performed by the Director of Payroll Services during FY 2003-04 that “do not appear to be collective-bargaining related.” The audit report does not explain why these activities are not reimbursable. The AB 2700 legislation cited relates to creditable years of service for faculty, which is appropriate subject matter for collective bargaining. The health benefits activities cited are an appropriate subject for collective bargaining.

SCO's Comments

In light of the district's comments, we reduced the adjustments by \$9,336, from \$366,674 to \$357,338.

Unsupported Hours Claimed

Finding 1 notes that \$185,461 is unallowable because the district did not provide adequate documentation to support claimed costs. As noted in the finding, some of these costs could not be traced to any supporting documentation. This finding amount represents 40% of the district's claim for salaries and benefits during the audit period. The remaining 60% was supported with documentation created in the “usual course” of the district's business activities.

Government Code section 17561(d)(2) provides that the Controller may audit the records of any local agency or school district to verify the actual amount of the mandated costs and may reduce any claim that the Controller determines is excessive or unreasonable. Further, Government Code section 17558.5 states that a reimbursement mandate claim for “actual costs” filed by a local agency or school district is subject to the initiation of an audit by the Controller. The SCO performs audits in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States. The performance audit fieldwork standards require an auditor to obtain sufficient, competent, and relevant evidence to afford a reasonable basis for the auditors' findings and conclusions. Showing only employee classifications, time spent, and hourly rates does not support actual costs incurred.

The following comments relate to the district's specific responses regarding unallowable activities claimed; the comments are presented in the same order as those of the district.

A.1. The report does indeed state why the content of the meetings is not reimbursable. The district did not address the portion of the finding related to time spent in excess of the 30 minutes at each meeting, totaling 378.2 hours. The meeting agenda included such topics as DGC reports, district management council reports, management staff development,

open forums, management evaluation training sessions, and collective bargaining. The district did not explain how these costs relate to negotiation planning sessions.

A.2. We concur that salaries and benefits are by far the major topic of any labor contract. However, *Parameters and Guidelines* does not identify updating the district's payroll system (based upon changes to salary and benefit rates that may or may not occur as a result of allowable collective bargaining negotiation activities) as a reimbursable activity.

A.3. We reviewed the attendees at the meetings and determined that only five employer representatives were claimed. Consequently, we eliminated this adjustment totaling \$587.

B.1. We concur that determining the fiscal impact of the terms of negotiated collective bargaining agreements is essential to district accounting activities. However, *Parameters and Guidelines* does not identify this activity as an increased cost that the district was required to incur as a result of this mandate.

B.2. We reviewed the various activities claimed under grievance adjudication for FY 2002-03 and determined that the cost could have related to grievance adjudication. Consequently, we eliminated this adjustment totaling \$5,828.

B.3. The district did not explain how the attendance at various meetings and preparation of the agenda for the contract review committee relate to administering and enforcing the negotiated contract. Various agenda items included operational budget issues, fundraising decisions, retirement dinners, district facilities, and student enrollment, as well as topics related to collective bargaining issues.

B.4. The audit finding of \$2,515 consisted of \$1,895 claimed for various personnel-related issues that were primarily discrimination complaints and \$620 related to faculty sabbatical leave that could have related to a grievance. Consequently, we reduced the audit adjustment by \$620, from \$2,515 to \$1,895.

B.5. As explained in the finding, the district did not explain how attendance at budget cabinet meetings related to increased costs of administering and enforcing the negotiated contract that were incurred as a result of this mandate.

B.6. Time claimed for AB 2700 legislation relates to training, and time claimed for health benefits relates to the district's review of the health benefits section of the district's management manual. As explained in the finding, the district did not explain how these costs related to increased costs of administering and enforcing the negotiated contract that were incurred as a result of this mandate. These activities appear to be routine management functions. Further, the district did not address time claimed for STRS training, discussion of procedures and program changes for full-time equivalent law, or cost distribution for union members.

**FINDING 2—
Unallowable
contracted services**

The district claimed \$137,226 under contracted services for various activities that are not reimbursable under *Parameters and Guidelines*. The district claimed unallowable mandate-related costs during the audit period as follows.

- The district claimed costs for attorney billings totaling \$136,354 for certain grievance activities. The supporting documentation indicated that the purpose of these activities was personnel-related rather than collective bargaining-related. In addition, the district's Senior Human Resources Representative commented that many of the grievance cases claimed were not related to collective bargaining activities. We also noted various other costs claimed for items that do not appear to be mandate-related. Personnel-related items noted on attorney invoices, in the district's grievance files, and according to the recollection of the district's Senior Human Resources Representative (for those grievance cases that had no grievance files) included student discrimination complaints, student suspension, investigation of an unlawful discrimination complaint, discipline issues, fitness-for-duty issues, reprimands for misconduct, hostile work environment caused by other employees, unprofessional conduct, complaints filed by academic senate, tax-sheltered annuity agreements, incorporation of auxiliary, district computer policies and procedures, preparation of FRISK contract administration manuals, and discrimination procedure analysis preparation.
- The district claimed \$535 under cost of negotiations for negotiation-preparation activities that do not appear to be mandate-related. Of that amount, \$506 was claimed for a discrimination complaint and \$29 was claimed for work on a district computer use equipment memoranda.
- The district claimed \$337 under the cost category of unfair labor practice charge for time spent by an attorney representing the district at a restraining order hearing. The district did not explain how this cost constituted a reimbursable activity under the mandated program.

The following table summarizes the audit adjustment that resulted from the unallowable activities claimed.

	Fiscal Year			
	2001-02	2002-03	2003-04	Total
Salaries and benefits:				
Component G1-G3	\$ —	\$ (29)	\$ (506)	\$ (535)
Component G4-G7	(18,137)	(36,934)	(81,620)	(136,691)
Audit adjustment	<u>\$ (18,137)</u>	<u>\$ (36,963)</u>	<u>\$ (82,126)</u>	<u>\$ (137,226)</u>

Parameters and Guidelines states that the claimant must support the level of costs claimed and that the claimant will be reimbursed for the increased costs incurred as a result of compliance with the mandate.

Recommendation

We recommend that the district ensure that claimed costs include only eligible costs and that claimed costs are based on actual costs that are properly supported.

District's Response

Finding 2 disallows \$137,226 in unallowable contract services for legal services. The amount disallowed consists of three parts:

- A. Attorney billings totaling \$136,354 were disallowed for certain grievance activities because supporting documentation indicated the purpose of the activities were personnel-related. In order to determine whether "certain" grievance activities are reimbursable, the auditor must determine whether the subject matter of the grievance is a contractual right or a dispute resolved pursuant to procedures required in the collectively bargained employee contract. The audit report does not make these factual determinations, nor are the alleged representations of senior human resources staff determinative of the ultimate reimbursement issues.
- B. Negotiation-preparation activities of \$535 that "do not appear to be mandate-related." The audit report does not explain why they are not a reimbursable activity.
- C. Unfair labor practice charge activities of \$337 for time spent by an attorney representing the District at a restraining order hearing, because the District "did not explain how this cost constituted a reimbursable activity under the mandated program." The audit report does not explain why this is not a reimbursable activity.

SCO's Comment

The finding and recommendation remain unchanged.

A. Personnel actions are not reimbursable activities. During the course of the audit, the SCO auditor discussed with the district's Senior Human Resources Representative the nature of the various grievance cases that were claimed by the district during the audit period. We relied on the representations of this district employee as to which grievance cases involved collective bargaining issues (i.e., violation of the negotiated contract) or personnel-related issues. This information was presented to the district at the audit exit conference. The district did not refute the ability of this employee to ascertain whether a particular grievance was or was not collective bargaining-related, nor did the district direct our auditor to another district employee who would be more knowledgeable on this issue. During the time that passed between the audit exit conference and the issuance of the draft audit report, the district did not provide any additional documentation to indicate that our information was in error.

B. *Parameters and Guidelines* does not identify negotiation preparation activities as reimbursable. The district did not explain how the claimed activities were increased costs related to a reimbursable mandated activity.

C. The district did not explain how time spent by an attorney representing the district at a restraining order hearing constituted increased costs incurred related to unfair labor practices as a result of this mandate. The district did not provide any evidence that unfair labor practice charges were filed against the district during the audit period.

**Attachment—
District's Response to
Draft Audit Report**

Governing Board

Jo Ann Cookman, *President*
Tomi Van de Brooke, *Vice President*
Sheila A. Grilli, *Secretary*
John T. Nejedly
Dr. Anthony T. Gordon



Chancellor
Helen Benjamin

College Presidents
Contra Costa College: McKinley Williams
Diablo Valley College: Diane Scott-Summers, Interim
Los Medanos College: Peter Garcia

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 12, 2007

Mr. Jim L. Spano, Chief
Mandated Costs Audits Bureau
California State Controller
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Re: Contra Costa Community College District
Chapter 961, Statutes of 1975
Collective Bargaining
Fiscal Years 2001-02, 2002-2003, and 2003-04

Dear Mr. Spano:

This letter is the response of Contra Costa Community College District to the letter of Jeffrey V. Brownfield, dated May 30, 2007, and received by the District on June 5, 2007, which transmits a draft copy of your audit report of the District's Collective Bargaining annual reimbursement claims, for the period of July 1, 2001, through June 30, 2004.

The Audit Report Amounts

The draft audit report fails to adequately disclose the amounts adjusted by reason or fiscal year. Sometimes this information can be reconciled to detail information provided at the exit conference, but not in the case of this audit.

First, the total amount adjusted for the three fiscal years reported in the draft audit report is about \$16,000 less than the information reported at the exit conference of July 25, 2006. No additional detail information has been provided to support the draft audit amounts. Therefore, while it can be determined that some component amounts were changed, the specific amounts changed and reasons for the changes are not known.

Contra Costa Community College District
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Second, the audit report narrative summarizes reasons for adjustment by category and reason for all years audited. However, the amounts by reason cannot be traced to any of the detail cost schedules by year provided at the exit conference which are organized by component. Nor do the exit conference materials provide three-year aggregate data by reason code.

Third, the recapitulation on page 8 of the draft audit report of amounts disallowed is organized differently from previous information provided at the exit conference and cannot be reconciled to the detail provided at the exit conference.

Fourth, the amounts summarized by reason in Finding 1 of the draft audit report narrative cannot be reconciled with the summary of adjustment amounts on page 8.

These deficiencies hinder a complete evaluation of the statement of findings.

Finding 1 Unallowable salary and benefit costs

Finding 1 eliminates \$275,870 as unallowable salary and benefits costs with \$90,804 in related indirect costs, for a total of \$366,674. The "direct cost disallowed" of \$275,870 consists of two amounts: \$185,461 disallowed due to lack of "adequate supporting documentation"; and \$90,409 as "unallowable" costs claimed. It seems that the District's documentation methods, which the auditor believes are *insufficient* to support \$185,461 in unsupported costs, are to the contrary *sufficient* for the auditor to conclude for a fact that \$90,409 of the costs are not allowable for reimbursement, rather than merely unsupported.

Note that none of the adjustments were made because the costs claimed were excessive or unreasonable.

Unsupported Hours Claimed

The audit report asserts that \$185,461 was disallowed because the "district did not provide source documents (e.g., individual activity log sheets, meeting sign-in sheets, and/or actual time records) to validate certain employee hours charged." The entire basis for this finding is the quantity and quality of District documentation.

First, in support of the conclusion that the costs were unsupported, the audit report states that the parameters and guidelines require "the claimant to show the classification of the employees involved, the amount of time spent, and their hourly rates." That is a correct restatement of parameters and guidelines component H3, to which the District fully complied in the preparation of the annual reimbursement claims. The audit report does not state that the District failed to do this and it is certainly not a valid reason for an adjustment based on lack of source documentation.

Second, in support of the conclusion that the costs were unsupported, the audit report states that the parameters and guidelines require "that the claimant must support the level of costs claimed and that the claimant will only be reimbursement for the increased costs incurred." This is the requirement to categorize current year costs between historical Winton costs (G1-G3) and reimbursable increased Rodda costs (G4 - G7), to which the District fully complied in the preparation of the annual claims. The audit report does not state that the District failed to do this and it is not a valid reason for an adjustment based on lack of source documentation.

The audit report does not cite any other factual or legal reason to eliminate the claimed costs. Therefore, the audit report has not stated a relevant basis to make these adjustments for source documentation. In fact, the parameters and guidelines essentially require claimants to "show" or "indicate" the costs claimed and do not require as a specific condition of reimbursement that claimants provide the "individual activity log sheets or time records" the audit report has established after the fact as an audit requirement. Instead, the parameters and guidelines specify a "worksheet" supporting the calculation of hourly rates and benefits.

Unallowable Activities Claimed

The audit report asserts that \$90,409 in activity costs are not reimbursable under the parameters and guidelines. Specifically:

- A. The audit report disallowed \$65,205 in claimed negotiation costs consisting of three parts:
 1. Claimed negotiation costs of \$53,759, because the scope of planning was "routine information-sharing at which various district issues are discussed" and the venue was the district management council. The audit report concludes, without citing facts or law, that these discussions are not *planning* for the purposes of negotiations. The audit report does not indicate how the content of the meetings is unrelated to negotiation issues.
 2. Claimed negotiations costs of \$10,859 for the revision of the District's payroll system. The audit report does not state why this is not reimbursable. Salaries and benefits are by far the major topic of any labor contract and specified subject matter by the Rodda Act.
 3. Claimed negotiations costs of \$587 for more than five employer representatives to attend negotiation sessions on January 23, 2002, and March 18, 2004. The audit report does not state how many district personnel, including the labor negotiator and clerical personnel, were present at the sessions, or whether the persons disallowed were the lowest paid personnel in attendance.

- B. The audit report disallowed \$25,204 in claimed contract administration costs consisting of six parts:
1. Claimed contract administration costs of \$9,106 for preparation and attendance at business directors meetings, because the "District did not indicate how discussions on the fiscal impact of ongoing labor negotiations or district income estimates constitutes the reimbursable activity of administering or enforcing the negotiated contract." Since districts have to fund the results of collective bargaining agreements, determining the fiscal impact of the contract terms is essential.
 2. Claimed contract administration costs of \$5,828 for the Director of Human Resources to perform various activities related to grievance adjudication during FY 2002-03 that "did not relate to time associated with a filed grievance alleging a violation of the terms and conditions of a union contract provision." The aggregation of the 66.6 hours disallowed cannot be discerned from the information provided at the exit conference or in the audit report, or why this work was not related to grievance adjudication. Further, the audit report needs to clarify the distinction it implies exists between "filed" grievances as compared to "unfiled" grievances, if any.
 3. Claimed contract administration costs of \$2,939 for District staff attendance at benefit cost containment meetings, management council meetings, and executive staff meetings. These costs were disallowed because the "District did not explain why these meetings constituted the reimbursable activity of administering or enforcing the negotiated contract and were not simply routine management functions." The audit report does not explain why they are not a reimbursable activity.
 4. Claimed contract administration costs of \$2,515 for "various activities related to grievance adjudication during FY 2002-03 and FY 2003-04 for the issues that were personnel-related (not related to a violation of the terms and conditions of a union contract provision)." The audit report specifically cites employee sabbatical leave and discrimination complaints as "personnel-related issues." Any collectively bargained right can be grieved and since the faculty sabbatical leave is a contractual right, it is subject to the grievance procedure, whether the procedure is characterized as a grievance or otherwise. The dispute resolution process for Title 5 is operated according to the grievance procedure and is thus reimbursable.
 5. Claimed contract administration costs of \$2,389 for staff attendance at cabinet budget meetings, because the "District did not indicate how discussions at cabinet budget meetings constitute the reimbursable activity of administering or enforcing the negotiated contract." The audit

report does not explain why the subject matter of the cabinet budget meetings is not a reimbursable activity.

6. Claimed contract administration costs of \$2,427 for activities performed by the Director of Payroll Services during FY 2003-04 that "do not appear to be collective bargaining-related." The audit report does not explain why these activities are not reimbursable. The AB 2700 legislation cited relates to creditable years of service for faculty, which is appropriate subject matter for collective bargaining. The health benefits activities cited are an appropriate subject for collective bargaining.

Finding 2 Unallowable contracted services

Finding 2 disallows \$137,226 in unallowable contract services for legal services. The amount disallowed consists of three parts:

- A. Attorney billings totaling \$136,354 were disallowed for certain grievance activities because supporting documentation indicated the purpose of the activities were personnel-related. In order to determine whether "certain" grievance activities are reimbursable, the auditor must determine whether the subject matter of the grievance is a contractual right or a dispute resolved pursuant to procedures required in the collectively bargained employee contract. The audit report does not make these factual determinations, nor are the alleged representations of senior human resources staff determinative of the ultimate reimbursement issues.
- B. Negotiation-preparation activities of \$535 that "do not appear to be mandate-related." The audit report does not explain why they are not a reimbursable activity.
- C. Unfair labor practice charge activities of \$337 for time spent by an attorney representing the District at a restraining order hearing, because the District "did not explain how this cost constituted a reimbursable activity under the mandated program." The audit report does not explain why this is not a reimbursable activity.

Statute of Limitations

This was not an audit finding. The District's FY 2001-02 claim was submitted to the Controller's Office on December 24, 2002. Pursuant to Government Code Section 17558.5, this claim is subject to audit only until December 31, 2004. The draft audit report is dated May 30, 2007. Therefore, audit or adjustment of the claim for FY 2001-02 is barred by the statute of limitations.

Public Records Request

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period which defines the type of source documentation required, timing of the date of the preparation of employee time records, and the prohibition of declarations as unacceptable documentation.

Government Code section 6253, subdivision (c), requires the state agency which is the subject of the request, within 10 days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefor. Also, as required, when so notifying the District, please state the estimated date and time when the records will be made available.

Sincerely,

A handwritten signature in dark ink that reads "Doug Roberts, CPA". The signature is fluid and cursive, with the initials "CPA" written in a slightly larger, more formal script at the end.

Doug Roberts, CPA
Interim Vice Chancellor, Finance and Administration

**State Controller's Office
Division of Audits
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Sacramento, California 94250-5874**

<http://www.sco.ca.gov>